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## **Controller Finds City of Bell Unlawfully Spent State and Federal Funds, Grants**

**SACRAMENTO** – State Controller John Chiang today released the results of an audit that found the City of Bell unlawfully spent at least \$710,000 in state and federal funds without valid contracts in place, or made payments for services outside of the scope of an existing contract. In addition, none of the contracts for goods or services examined were awarded through competitive bids.

“This audit show that the former Chief Administrative Officer’s contracting and purchasing practices continue to expose the City of Bell to further financial liability,” said State Controller John Chiang. “The fact that the former CAO was able to pick vendors and award contracts at will using state and federal funds raises serious questions about conflicts of interest, favoritism and other improprieties – at the expense of all taxpayers, not just local residents.”

The audit into the spending of state and federal funds brings the total amount of questionable spending by the City of Bell to more than \$6 million. The findings continue to show that the former CAO violated provisions of the city charter that require City Council approval for purchases of more than \$50,000, and a competitive bidding process for contracts of more than \$25,000. An earlier audit by the Controller noted that the former CAO also paid \$222,000 to Urban & Associates, Inc., owned by the current interim CAO. In this report, the auditors note that city staff and the interim CAO still have not provided the Controller’s auditors with a copy of any contract identifying the scope of services performed by the company.

The state and federal spending audit questioned \$199,528 incurred for purchasing equipment from Great Western Park and Playground. The expenditures were not used for the purchase of equipment as required, but rather for site work, surfacing and installation of outdoor fitness equipment and shade covering at Debs Park. In addition, city staff could not provide any documentation showing the services from Great Western were acquired through competitive bids.

Another \$185,000 in state park grants intended for professional services, engineering and construction management services at Bell Community Health and Wellness Center were paid to MBH Architects and SMS Architects. Both companies listed the same individual as the signatory principal. The original contract with MBH was approved by the former CAO but not the City Council. After the contract was terminated by the former CAO, payments were made to SMS without City Council approval. The payments violated the city’s contracting and competitive bid requirements.

More than \$50,000 in Los Angeles County Parks and Recreation and federal Community Development Grants were paid to Medina Construction for public works

and general maintenance services, including repairs of residential homes. However, those services were not authorized by the contract, and there was no documentation showing the City Council approved those services.

Almost \$100,000 was paid to D& J Engineering, whose owner also serves as the city's Director of Planning Services. The payments were made through the California Integrated Waste Management Board's Used Oil Recycling grant, but one contract was for engineering services related to the development of traffic improvements projects and the other, which expired in 1997, was for preparing and administering benefits assessment. No documentation could be found showing that the City Council had approved either contract, nor was there any documentation showing the contracts had been awarded through competitive bids.

Almost another \$100,000 in federal funds administered through Los Angeles County was paid for graffiti removal services even after a contract with Graffiti Protective Coatings, Inc. had expired. No documentation could be found showing that the contract was approved by the City Council, or that it was competitively bid.

Finally, more than \$74,000 was used to purchase computer servers from Relia-Tech. The city had no documentation of a purchase order or approval from the Bell City Council, and the only document provided was a contract with Relia-Tech for maintenance of servers, not equipment purchase or installation.

The Controller recommends that the City work with the following entities to recoup misspent funds:

- The California Department of Parks and Recreation to resolve the \$199,528 in questioned costs related to Great Western Park and Playground;
- The California Department of Parks and Recreation to resolve the \$180,368 related to MBH Architects and SMS Architects;
- The Los Angeles County Department of Parks and Recreation to resolve the \$37,164 related to Debs Park, and the \$19,690 in federal Community Development Block Grants related to residential home repairs;
- The California Integrated Waste Management Board to resolve the \$99,882 in oil recycling grant monies paid to D&J Engineering;
- Los Angeles County regarding the \$99,542 in questioned Community Development Block Grants funds spent on graffiti removal services after the contract expired;
- The U.S. Department of Justice regarding the \$74,285 in COPS Technology Grant funds used to purchase computer servers, parts and labor without a valid purchase authorization.

Since taking office in January 2007, Controller Chiang has identified \$2.4 billion in waste, abuse, and misspending of taxpayer dollars.

A [copy of the audit](#) can be found on the Controller's website at [www.sco.ca.gov](http://www.sco.ca.gov).

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